# MEASURING BANK FINANCIAL PERFORMANCE BETWEEN PRE AND POST ACQUISITION OF BII MAYBANK IN INDONESIA

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## ABSTRACT

Banking institutions are one of the key sectors within the financial system. For this reason, the government opens investment opportunities on a large scale to attract foreign investors. This is evident with the increasing number of the Indonesian banking companies which have been taken over by foreign institutions; for instance the acquisition of PT. Bank Internasional Indonesia by Maybank. A Financial report is a tool for analyzing the development of the bank's performance of pre and post-acquisition. This can be explained by the financial performance in the period of 2005 to 2012. This study uses the ratios on CAMEL method, in capital it use CAR, in quality of the assets it uses AQ Ratio, in Management it uses NPM, for earnings ratio uses ROA and OEOI, and for the liquidity ratio uses LDR. The secondary data is gathered from the Indonesian Stock Exchange (IDX) and Publication Financial Consolidation report from the BII website. Results of statistical tests uses Paired Sample T-tests which concludes that the Financial Performance BII Maybank of the pre-acquisition was better than that of the post-acquisition. Accordingly, the financial performance of PT. Bank Internasional Indonesia Tbk. has no significant difference between pre and post-acquisition. Acquisition activity in the BII Maybank takes more than a 4-year period after the acquisition to yield better results using CAMEL ratio or other financial methods. This study suggests that the financial performance of BII Maybank is affected by their acquisition activity, although the result of post-acquisition is not much better than post-acquisition.

***Keywords:*** *financial performance, merger and acquisition, CAMEL ratio*

## INTRODUCTION



### Research Background

Mergers and Acquisitions bank in Indonesia have become the main strategy for the development of the company. There are many significant advantages that affect the internal and external growth of the bank. Acquisition Activity is generally performed by a group (internal acquisition) to the *go public* company. Reed, et al. (2007:4) explains that corporate acquisition is the process by which the stock or assets of a corporation come to be owned by a buyer. Most acquisition activity was owned by foreign investors. Generally, acquisition is the takeover or purchase of a small firm by a big firm to become one big firm by a big firm; which are both pursuing similar motives. Acquisition can be carried out at the initiative of the bank, at the approval of Bank Indonesia and specialized agencies or initiatives. Acquisition shall require prior permission from Bank Indonesia. Acquisition of Commercial Bank can be done by individuals or legal entities, either through the purchase of bank shares directly or through an exchange that resulted in the shift of control of the bank.

Generally, the majority ownership of foreign investors in domestic banks regulated No. 10 of 1998 to allow foreign ownership of local banks up to 99 percent. This is made clear in Article 3 of Regulation No. 29 Year 2009 on the Purchase of Shares of Commercial Bank. Some investors also reviewing its expansion plans in Indonesia by acquiring banks. To note, the current number of Malaysian banks controlled bank in Indonesia. Operations in Indonesia are considered to provide a substantial contribution.

This study analyses Bank International Indonesia.Tbk (BII) - Malayan Banking Bhd Malaysia. In the year 2008, 97.05% of BII stock owned by Malayan Banking Bhd (Maybank), Malaysia's largest financial group and majority shareholder. The performance of acquiring banks is undertaken based on CAMEL ratio. This method not only measures the soundness of a bank, but is also used as an indicator the rank and predict the prospects of a bank in the future.

**Research Objective**

The specific objective for this research is to measure the difference in financial performance between pre and post-acquisition of BII Maybank, using CAMEL ratio period of 2005 - 2012

## THEORETICAL FRAMEWORK

**Theories**

**Financial Performance**

Financial performance of a company derived from the analysis of the financial statements of the company in this case is the banking sector. Financial performance analysis is conducted to determine the development of a company. Financial ratios are used by bankers, creditors, shareholders and accountants, to evaluate data presented on a firm’s financial statements. It can be said that performance is the result of the quality and quantity of work achieved by the company. The work can be a gain profit, the ability of the company and a company achievements. Measurement of financial performance is a measure of the financial statements which have been prepared by the company, in order to evaluate the financial condition of the company, after the activities are carried out in a given period. Analysis of financial performance refers to the evaluation of the company to observe the work of the company's financial side. In other words, it will analyze the performance of the company's financial strength, not simply identify the company’s profits and losses. The results of this analysis can provide a framework for the future development of the bank itself.

**Merger and Acquisition**

Reed, et al (2007) find that Acquisition is the generic term used to describe a transfer of ownership while Merger is a narrow, technical term for a particular legal procedure that may or may not follow an acquisition. The study concluded the point that the expansion of the business activities carried out by combining a company with one or several other companies into a single economic entity in an effort to expand the business. In general terms, the statutory framework for combination of business through a limited liability company is set out in Law No. 40 of 2007 on the Limited Liability Company (‘the Company Law’) and various implementing regulations such as Government Regulation No. 27 of 1998 on Mergers, Consolidation and Acquisition of Limited Liability Companies (Makez, 2012). Merger and acquisition action occurs for several reasons. Growth and diversification of good size, market share, and diversification can be done by a company merger or acquisition. The Company does not have the risk of new product. In addition, if the expansion with mergers and acquisitions, the company can reduce the impact of a competitor or reduce competition significantly.

Brigham, et al. (2010:662) explained that Synergy is the major factor that pushed firms to merge or acquire – it allows for enhanced cost efficiencies of the new business. While the opportunity to achieve synergies and economies of scale that can cut the cost of production per unit is one factor that can be achieved by mergers and acquisitions. Aims to seek new sources of funding are also factors which should be considered when conducting mergers and acquisitions. The acquisition process benefits the company as the stock market capitalization of the company becomes greater. The acquisition is also believed to be beneficial to not only the companies, but also to investors as the capital of stock market shares become larger. Issues that had been entered in the medium-cap stocks down, can 'level up' to the top.

**CAMEL Ratio**

Efforts to enforce BI automation Rating CAMEL ratings received high appreciation from several financial institutions. Some such examples are the International Monetary Fund (IMF), World Bank, and Australian Prudential Regulation Authority (APRA). Kabir & Dey (2010) found that CAMEL is a rating system generally used by the government policy circle, regulating bodies regulating commercial banks, that is, central banks and non-governmental policy research centers for the purpose of assessing the soundness of a savings association or a bank. This research uses this Ratio without assess aspects of Management and Sensitivity to Market Risk. The financial ratios selected are amongst the principal CAMEL indicators, i.e.:

*Capital - Shareholders' Equity / Total Assets*

The shortage of capital can be sourced from two things, the first being the small amount of capital, and the second, capital poor quality. Thus, bank supervisors must be satisfied that the bank should have sufficient capital, both in quantity and quality. The notion of capital adequacy is not only calculated from the nominal, but also of the capital adequacy ratio, or often referred to as the Capital Adequacy Ratio (CAR). The ratio is the ratio of capital to risk-weighted assets (RWA). At this time in accordance with applicable regulations, a bank's CAR of at least 8%.

*Asset quality - Loan Loss Reserves / Gross Loans*

This is an important parameter for any banking institution, as the quality of its assets has a major bearing on the earning ability of that institution. A deteriorating quality of assets is the prime source of banking problems. Asset quality is measured in relation to the level and severity of non-performing assets, recoveries and the level of provisioning.

*Management - Non-Interest Expenses / Total Operating Income*

The management of a financial institution is measured against the performance of its financial indicators. In effect, management soundness is rated in terms of performance in capital adequacy, asset quality, earnings and profitability, liquidity and sensitivity to market risk.

*Earnings - Interest Income / Earning Assets*

Profits add to while losses result in erosion of the capital base of a banking institution. Earnings and profitability are usually measured in terms of returns obtained on assets or capital employed.

*Liquidity - Liquid Assets / Deposits and Short Term Funding.*

A liquid position of a financial institution refers to a situation where it can obtain sufficient funds, either by increasing liabilities or by converting its assets at a reasonable cost. Thus, it is evaluated in terms of overall asset and liability management, such that mismatches are minimized.

CAMEL is not just a measure the soundness of the bank but also used as an indicator of the rank and predict bank insolvency. The indicators used in the soundness of banks are Adequacy Capital Ratio (CAR), Assets Quality (AQ), Net Profit Margin (NPM), Return on Assets ratio (ROA), Operating Expenses to Operating Income (OEOI) and Loan Deposit ratio (LDR).

**Previous Researches**

Measuring the financial performance of Acquisition deals with difficult issues and concepts from many researchers. Financial observers have used varying literature detailing different method analysis and comparative analysis to identify the effect of Company Acquisition. Vankatesan & Govindarajan (2012) found that empirical analysis of financial performance against acquisition activities of public and private sector banks has led to the finding that the performance of private banks is found to be better in pre-period compared to their performance in post-acquisition period. They also noted that the performance of public sector banks in terms of generating income relative to their investment in fixed assets is significantly, and negatively, affected, whereas their performance in respect of their net earnings is positively influenced by acquisition deals due to an increase of the interest spread. It explains that M&A activities are rejected and alternatively sector banks in India. Joshua (2010) found the post-merger and acquisitions period was more financially efficient than the pre-merger and acquisition period. He contends that banks should be more aggressive in their profit drive for improved financial position to reap the benefit of post mergers and acquisition bid in the Nigeria banking sector.

Vaziri, Bhuyan and Yang (2012) stated in selecting country samples following the criteria are followed: the corporation acquiring the bank is publicly traded corporation, the acquisition is complete, and the acquiring company's country has a stock index. There are some different market returns results to before and after the sub-prime mortgage crisis. "…. prior acquisition experience per se does not improve post-acquisition performance, but the degree to which acquirers articulate and codify their experience in ad-hoc tools significantly affects long-term performance" (Leshchinskii & Zollo, 2004). This literature supported the research of BII Maybank to advance possible explanation of negative significant after acquisition by showing the percentage per year in period 8 years using the CAMEL method and possible facts that support the result.

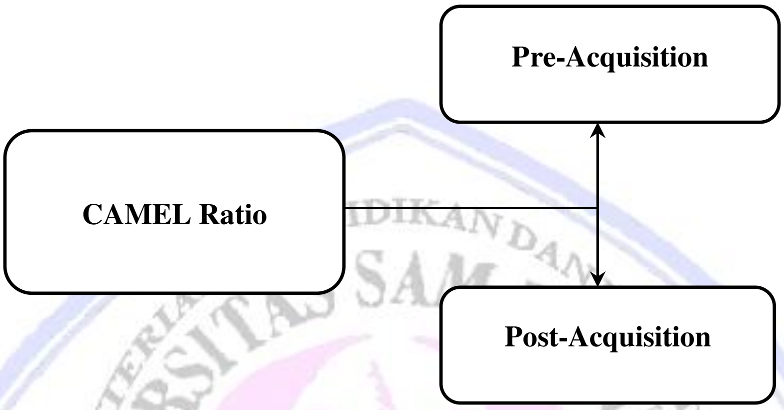


**Figure. 1 Conceptual Framework**

**Research Hypotheses**

Based on the third and fourth research problems, the hypotheses are:

$H_0$: There is no significant difference in financial performance between between pre and post-acquisition of BII Maybank

$H_1$: There is a significant difference in financial performance between pre and post-acquisition of BII Maybank



## RESEARCH METHOD

**Type of Research**

This study uses relational type of research which analyses existing data and compares the financial performance of the company. This research uses quantitative data and secondary data. The secondary data is obtained through the literature relating to the financial performance of this study. The literature employs sources such as; financial statements during the period required of BII annual report, text books related to financial management, research report related to financial performance, internet and literature obtained from institutions other relevant agencies.

**Place and Time of Research**

The location in which the research took place is Manado City, North Sulawesi. The study began with the collection data of annual report of PT. Bank Internasional Indonesia Tbk (BII). obtained from IDX Representative Office of Manado. The data was to be processed and analyzed in order to obtain an overview of the financial performance, the effects of acquisitions in the banking sector, as well as the useful methods to this study. Hence, this research aimed to draw conclusions and make suggestions for the financial performance of the BII. The research was carried out within three months from June to September 2013.

**Population and Sample**

The population mainly observed in this study are PT Bank Internasional Indonesia Tbk (BII). Tbk and Maybank Malaysian as foreign investors who became shareholders of 75% of the BII stock since 2008. Sample test for this study based on financial report of the bank period 8 years since 2005 - 2012.

**Data Collection Method**

This study uses data collection techniques in the financial performance of the secondary data. Collecting technique secondary data is done through techniques of literature with seek the data financial statements BII. Literature searches were conducted through the internet and Financial Institution. The data in the report obtained are as follows:

a) Financial condition: The development of the financial statements of the period of 8 years.
b) Analyses the collected data by using pair sample t-test to measure if there is any significant different between before and after acquisition.

**Operational Definition of Research Variables**

**Pre-Acquisition**

Pre-Acquisition refers to the situation where two banks did not possess an acquisition relationship and those banks stood alone as two separate banking entities. The acquiring bank in this case was PT. Bank Internasional Indonesia Tbk (BII) still in acquisition process, however the financial report didn't include the foreign bank, in this case Maybank, as part of BII. The data period to support this research is 4 years pre-acquisition from 2005 to 2008.

**Post-Acquisition**

Post-Acquisition refers to the scenario where two banks have successfully merged. In this case, BII acquire of Maybank by approval from Bank Indonesia to build one new bank and holds 25 per cent or more of a bank's issued. Data period to support this research is 4 years post acquisition from 2009 to 2012

**Data analysis Method**

**CAMEL Ratio**

**Table 1. Calculating CAMEL ratio**

| | Components | Ratio Calculation | Credit Score |
|---|---|---|---|
| 1 | CAPITAL | $CAR = \frac{(Tier\ 1\ Capital - Goodwill) + Tier\ 2\ Capital}{Risk\ Weighted\ Assets} \times 100\%$ | $CS = 81 + \frac{Ro - 8}{0,1\%} \times 0,63$ |
| 2 | ASSETS | $AQ = \frac{Clasification\ Assets}{Earning\ Asset} \times 100\%$ | $CS = 1 + \frac{(15,5\% - Ro)}{0,15\%}$ |
| 3 | MANAGEMENT | $NPM = \frac{Net\ Income}{Operating\ Income} \times 100\%$ | Directly multiplied by 25% weight value of CAMEL. |
| 4 | EARNINGS | $ROA = \frac{Earning\ Before\ Tax}{Total\ Asset} \times 100\%$ | $CS = \frac{Ro}{0,015\%}$ |
| | | $OEIO = \frac{Operating\ Expense}{Operating\ Income} \times 100\%$ | $CS = \frac{Ro}{0,015\%}$ |
| 5 | LIQUIDITY | $LDR = \frac{Total\ Loan}{Deposit\ from\ 3rd\ parties} \times 100\%$ | $CS = 1 + \frac{(115 - Ro)\%}{1\%} \times 4$ |

Source: Surat Edaran Bank Indonesia No. 3/30/DPNP/2001

**Paired Sample t-Test**

A paired sample t-test is used to compare the means of two variables for a single group, to analyse whether there is a significant difference between the average values of the same measurement made under two different condition. The two different variables in this research are the pre-acquisition period as the first sample, and post-acquisition period as the second sample. The output will indicate whether there is any difference in the average of the company's financial performance, represented by CAMEL ratio.

This research uses the SPSS Program to measuring the significant different financial performance pre and post-acquisition of BII Maybank. The Paired-Samples T-Test procedure is used to test the hypothesis of no difference between two variables. The data may consist of two measurements taken on the same subject or one measurement taken on a matched pair of subjects.

## RESULTS AND DISCUSSION

### Result

### CAMEL Ratio and Credit Score

This section discloses the results of CAR (Capital Adequacy Ratio), AQ (Asset Quality), NPM (Net Profit Margin), ROA (Return on Asset), OEIO (Operating Expense to Operating Income, and LDR (Loan Deposit Ratio). These components' results will help to obtain the soundness of CAMEL ratio from one company for period 8 years. Each of the component is compared with company's value to get the comparison result.

**Table 2. CAMEL Ratio Result**

| Period | Ratio | | CAMEL | Credit Score | Weight (%) | Score (%) |
|---|---|---|---|---|---|---|
| **2012** | *1.Capital Adequacy* | : CAR | 12 | 106.14* | 25 | 25 |
| | *2. Asset Quality* | : AQ | 2.4 | 88.33 | 30 | 26.50 |
| | *3. Management Quality* | : NPM | 10.46 | 10.46 | 25 | 2.62 |
| | *4. earning* | : ROA | 0.68 | 45 | 5 | 2.27 |
| | | : OEIO | 85.60 | 180* | 5 | 5 |
| | *5. Liquidity* | : LDR | 87.37 | 111.52* | 10 | 10 |
| | **Total CAMEL** | | | | | 71.07 |
| **2011** | *1.Capital Adequacy* | : CAR | 11.97 | 106.01* | 25 | 25 |
| | *2. Asset Quality* | : AQ | 2.8 | 85.67 | 30 | 25.70 |
| | *3. Management Quality* | : NPM | 6 | 6 | 25 | 1.50 |
| | *4. earning* | : ROA | 1.04 | 69.33 | 5 | 3.47 |
| | | : OEIO | 90.53 | 118.38* | 5 | 5 |
| | *5. Liquidity* | : LDR | 87.80 | 109.80* | 10 | 10 |
| | **Total CAMEL** | | | | | 74.07 |
| **2010** | *1.Capital Adequacy* | : CAR | 14.16 | 119.81* | 25 | 25 |
| | *2. Asset Quality* | : AQ | 3.7 | 79.67 | 30 | 23.90 |
| | *3. Management Quality* | : NPM | 5.43 | 5.43 | 25 | 1.36 |
| | *4. earning* | : ROA | 1.05 | 70.00 | 5 | 3.50 |
| | | : OEIO | 90.97 | 112.88* | 5 | 5 |
| | *5. Liquidity* | : LDR | 81.29 | 135.84* | 10 | 10 |
| | **Total CAMEL** | | | | | 68.76 |
| **2009** | *1.Capital Adequacy* | : CAR | 13.12 | 113.26* | 25 | 25 |
| | *2. Asset Quality* | : AQ | 2.8 | 85.67 | 30 | 25.70 |
| | *3. Management Quality* | : NPM | (0.52) | (0.52) | 25 | 0.13 |
| | *4. earning* | : ROA | (0.06) | 4.00 | 5 | 0.20 |
| | | : OEIO | 99.53 | 5.87 | 5 | 0.29 |
| | *5. Liquidity* | : LDR | 77.16 | 152.36* | 10 | 10 |
| | **Total CAMEL** | | | | | 61.32 |
| **2008** | *1.Capital Adequacy* | : CAR | 12.96 | 112.25* | 25 | 25 |
| | *2. Asset Quality* | : AQ | 3.1 | 83.67 | 30 | 25.10 |
| | *3. Management Quality* | : NPM | 6.50 | 6.50 | 25 | 1.63 |
| | *4. earning* | : ROA | 1.12 | 74.67 | 5 | 3.73 |
| | | : OEIO | 88.55 | 143.13* | 5 | 5 |
| | *5. Liquidity* | : LDR | 79.12 | 144.52* | 10 | 10 |
| | **Total CAMEL** | | | | | 70.46 |
| **2007** | *1.Capital Adequacy* | : CAR | 16.56 | 134.93 | 25 | 25 |
| | *2. Asset Quality* | : AQ | 2.8 | 86.67 | 30 | 25.70 |
| | *3. Management Quality* | : NPM | 6.02 | 6.02 | 25 | 1.51 |
| | *4. earning* | : ROA | 0.55 | 36.67 | 5 | 1.83 |
| | | : OEIO | 95.24 | 59.50 | 5 | 2.98 |
| | *5. Liquidity* | : LDR | 75.61 | 100 | 10 | 10 |
| | **Total CAMEL** | | | | | 67.01 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **2006** | *1.Capital Adequacy* | : CAR | 20.17 | 157.67* | 25 | 25 |
| | *2. Asset Quality* | : AQ | 3.3 | 82.33 | 30 | 24.70 |
| | *3. Management Quality* | : NPM | 0.88 | 0.88 | 25 | 0.22 |
| | *4. earning* | : ROA | 1.30 | 86.67 | 5 | 4.33 |
| | | : OEIO | 90.03 | 124.63* | 5 | 5 |
| | *5. Liquidity* | : LDR | 56.76 | 233.96* | 10 | 10 |
| | **Total CAMEL** | | | | | 69.25 |
| **2005** | *1.Capital Adequacy* | : CAR | 18.81 | 149.10* | 25 | 25 |
| | *2. Asset Quality* | : AQ | 3.0 | 84.33 | 30 | 25.30 |
| | *3. Management Quality* | : NPM | 13.33 | 13.33 | 25 | 3.33 |
| | *4. earning* | : ROA | 1.87 | 124.67* | 5 | 5 |
| | | : OEIO | 85.53 | 206 | 5 | 5 |
| | *5. Liquidity* | : LDR | 55.32 | 239.72* | 10 | 10 |
| | **Total CAMEL** | | | | | 73.63 |

* Credit value of the every ratio for the Bank's soundness is categories by 100
Source: data processed, 2013

CAMEL value obtained by PT. Bank Internasional Indonesia Tbk for the years 2005 to 2008 in a row is 73.6%, 69.25%, 67.01%, 70.46%, 68.76%, 74.07%, and 71.07% based on the value of the bank's CAMEL consecutive predicated sound . The Soundness of PT. Bank Internasional Indonesia Tbk tend to be stable even looks slightly decreased to 61.32 worth in 2009. The decrease was due to the declining value of the ratio of CAR, KAP, NPM and ROA. In the years 2010 to 2012 in a row is 68.76%, 74.07%, and 71.07%, showing the value CAMEL back up and re-categorized as sound.

CAR impairment in the year 2011 is the biggest , from 14:16 % in 2010 to 11.97 % in 2011 due to rapid growth in the total risk-weighted assets was 20.73 % compared the growth of total equity grew by only 6.22 %. AQ ratios values decrease 2.8 % in 2012 to 2.4 % due to the rapid increase in the value of productive assets in 2012 than in the year 2011, which grew by 21.78 %. This growth is greater than the growth in earning assets that can be suppressed and only grew by 9.30 %. NPM which dropped in 2009 to 0.52 % from 6.50 % in 2008 due to growth in operating profit greater than the growth in net income. ROA ratio which decreased in 2012 from 90.85 % in 2011 to 85.60 %. This is due to the increase in operating income is much greater than the operating expenses incurred by the company. Operating income increased by 12.24 % during the period 2011 to 2012, while operating expenses increased only 7.19 % in the same period. According to standards set by Bank Indonesia, the average value of CAMEL PT. Bank Internasional Indonesia Tbk predicated *Satisfactory*. It also shows that during the same period, PT. Bank Internasional Indonesia Tbk has a good performance in the management of all its resources when viewed by the calculation of the ratio of CAMEL.

## Paired Sample T-Test

**Table 3. Paired Sample T-Test Result**

| | | Paired Differences | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | 95% Confidence Interval of the Difference | | | | |
| | | Mean | Std. Deviation | Std. Error Mean | Lower | Upper | t | df | Sig. (2-tailed) |
| Pair 1 | Pre - Post | 1.28250 | 8.07078 | 4.03539 | -11.55992 | 14.12492 | .318 | 3 | .771 |

Source: SPSS Statistics 22.0

Table.3 indicates there is no difference in financial performance between pre and post-acquisition PT Bank Internasional Indonesia Tbk. Here the descriptive statistics for the difference between each pair of variables is given. T value is 0.318 with the sig 0.771. Because sig> 0.05 then it can be concluded that Ho is accepted, it means the financial performance PT. Bank Internasional Indonesia Tbk before and after the acquisition by Maybank has no significant difference, despite the fact that the acquisition's financial performance was better before the aquisition than after the acquisition. It can be stated that the acquisition of a foreign bank to the local bank does affect the financial performance.

**Discussion**

The map of the national banking industry in the last decade has undergone a significant shift. After the financial crisis in 1998, there were already more than 20 private banks that moved to foreign bank or foreign investors. As a consequence of various acquisitions of foreign banks on the national bank, the acquisition of assets of national banks by national governments and the private sector is shrinking every year. In contrast, the share of national control of assets by foreign banks rose sharply and increasingly dominated the market. After establishing the difference pre and post-acquisition PT. Bank Internasional Indonesia Tbk by Maybank, it can be stated that there is no significant difference, which may occur due to Internal and External factors.

Venkatesan and Govindarrajan (2012), the performance of private sector banks is found to be better in pre-period compared to their performance in post-acquisition period. It is further found that there is notable change in liquidity position of the public sector banks due to their acquisition activities whereas there has been significant decline in their activities in turning their assets for generating income.

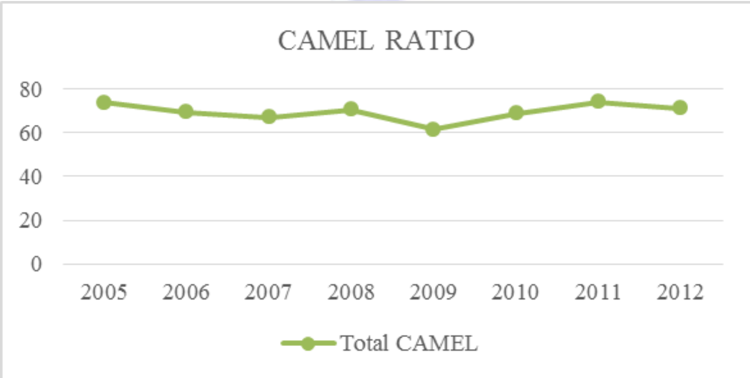


**Figure 2. The Soundness of BII Maybank**
Source: Table 2.

The CAMEL analysis and statistical test, there are internal factors affect financial performance of PT. Bank Internasional Indonesia Tbk before and after acquisition by Maybank. Figure 2 showed in 2009, the soundness of PT. Bank Internasional Indonesia Tbk has been decreased after 2008 was 70.46% be worth the value of 61.32%. The internal factors that decreased was due to the declining value of the ratio of CAR, NPM, ROA and LDR in 2009.

The decline value of 3.1% CAR in 2008 to 2.8% in 2009 due to the falling value of 5.27% RWA during the period 2008 to 2009. Impairment of acquisition in 2009 because of the reduction in value of fixed assets of Rp. 738,701. Decline in the value of the ratio of 6.50% of the NPM in 2008 to 0.52% due to a lower and operating profit of the company is higher than the net profit of the company. ROA ratio decreased in 2009 from 7.11% in 2008 to 6.14%. This is caused by lower Income before tax expense. Companies amounted to 10.73% during the period 2009 compared to profit before tax in the year 2008. LDR decreased in 2009 to 0.06% from 1.12% in 2008 due to the growth of Deposits of third-party greater than the growth in loans. During the year 2009, third-party funds rose 8.24% compared to total loans growth companies was lower by 5.91% in the same period. Based on a study of the Society for Human Resource Management Foundation and Towers Perrin in 2000 (Rei, 2004), there are 7 major barrier in achieving the result of the merger or the expected synergies, such as:

1. Inability to maintain the performance of (financial)
2. Declining productivity
3. Cultural differences between organizations involved in merger
4. Missing / pullback employees' mainstay
5. Competition or conflict styles / egos inter-member management
6. Inability to change management
7. Poor communication and unclear objectives or merger synergies.

According to information gathered from infobanknews.com /*Kenapa pergantian direksi diikuti penurunan kinerja* (2010), a bank was taken over by Malayan Banking Berhad (Maybank), placing Ridha Wirahadikusumah as president director replacing Henry Ho in early 2009. Whether by chance or global crisis, this bank had similar experiences, still impacting as of last year. BII profit in 2009 also dropped 102.22% compared to 2008. Not only that, the banks own capital which then replace the logo too eroded by 20.70%. Ridha explained in mid-2009 that a consolidation effort occurred in the body of BII. The Bank adjusted the restatement of the allowance for losses on loans to five borrowers. This decision significantly reduced profit BII in 2009 based on the information gathered from infobanknews.com /*Kenapa Pergantian direksi diikuti penurunan kinerja* (2010). In other words, the acquisition BII of Maybank, and resulting change in the company's organization, had a direct effect on the company's financial performance.

Joshua (2010) cited by Straub (2007), found that merger and acquisition have often failed to add significantly to the performance of the banking sector. Analysis using CAMEL ratio, along with financial news from internet sources explained that the financial performance of PT. Bank Internasional Indonesia Tbk pre-period and post-acquisition did not have significant differences and tend to be better in the pre-period than post-period. A possible explanation from internal and external factors showed that not every company makes positive and significant differences after acquisition activity. This research also explains that financial markets should be able to anticipate at least the general integration approach, based on past acquisitive performance.

An interesting extension of this study, in fact, would be to examine the company by using a financial method and to support the results with some facts about the company itself. It is possible that the research and findings may change the calculation in the next year owing to the 5 years period pre and post-acquisition. This research is one of a Bank company in Indonesia which wasn't successful as yet in achieving positive, significant progress after acquisition. It explained that acquisition activity need more than 4 years to change the whole structure such as financial program, the employees, and company schedule to maintain their needs, not just to return the performance to its former glory, but continue to strengthen the company in the future.

In Indonesia, CAMEL ratio is one of the primary method to analyze the soundness of a bank, but this research could be improved if some of the financial methods can be gathered to measure the significant progress of the bank, especially for case merger and acquisition activity. It'll help the Bank Indonesia to make decisions and regulations about merger and acquisition in Indonesia. Similarly, the learning mechanisms from present studies about merger and Acquisitions in Indonesia might be important for the investors or financial consultants to make selections when acquiring firms in Indonesia and understanding the shareholders' value creation in corporate acquisition as the alternatives available to develop collective competence specific to the management of acquisition processes.



## CONCLUSION AND RECOMMENDATION

### Conclusions

The conclusions of this found that there is no significant difference in financial performance between pre and post-acquisition of BII Maybank in Indonesia using CAMEL ratio period of 2005 – 2012. The results indicate that the soundness of the PT. Bank International Indonesia Tbk before the acquisition was better than after the acquisition. It was, however, found that after the acquisition in 2008, the decline occurred in 2009. It is concluded that the activity affected the financial performance of PT. Bank International Indonesia Tbk. Overall, the financial performance of the bank will be better after the acquisition but require a long period of time as in this study the periods after acquisition still need more than 5 years period and also before acquisition to compare the significant different by using the Normality test and paired simple T-test. Due process of acquisition through many stages and adaptation between local banks and foreign banks. Hence, hypothesis 0 is accepted through the research using CAMEL method and news supporting about the decline in financial performance after being acquired by BII Maybank

**Recommendations**

There are some recommendations in this research:

1. Banking companies should pay attention to all aspects of health conditions that can affect and improve all aspects of the bank which may have the potential losses.
2. For investors should be more cautious in dealing with acquisition activities of the company, because the impact is not always good when companies that make the acquisitions.
3. For future studies should measure the management aspects of using the conditions set by Bank Indonesia, to the management aspects of using a questionnaire containing 250 questions directed to the bank under study.
4. For future research should be done with a variable measuring the financial performance of other financial ratios or other methods, to improve the quality of the research results.

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